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DIRECTORATE OF
INTELLIGENCE

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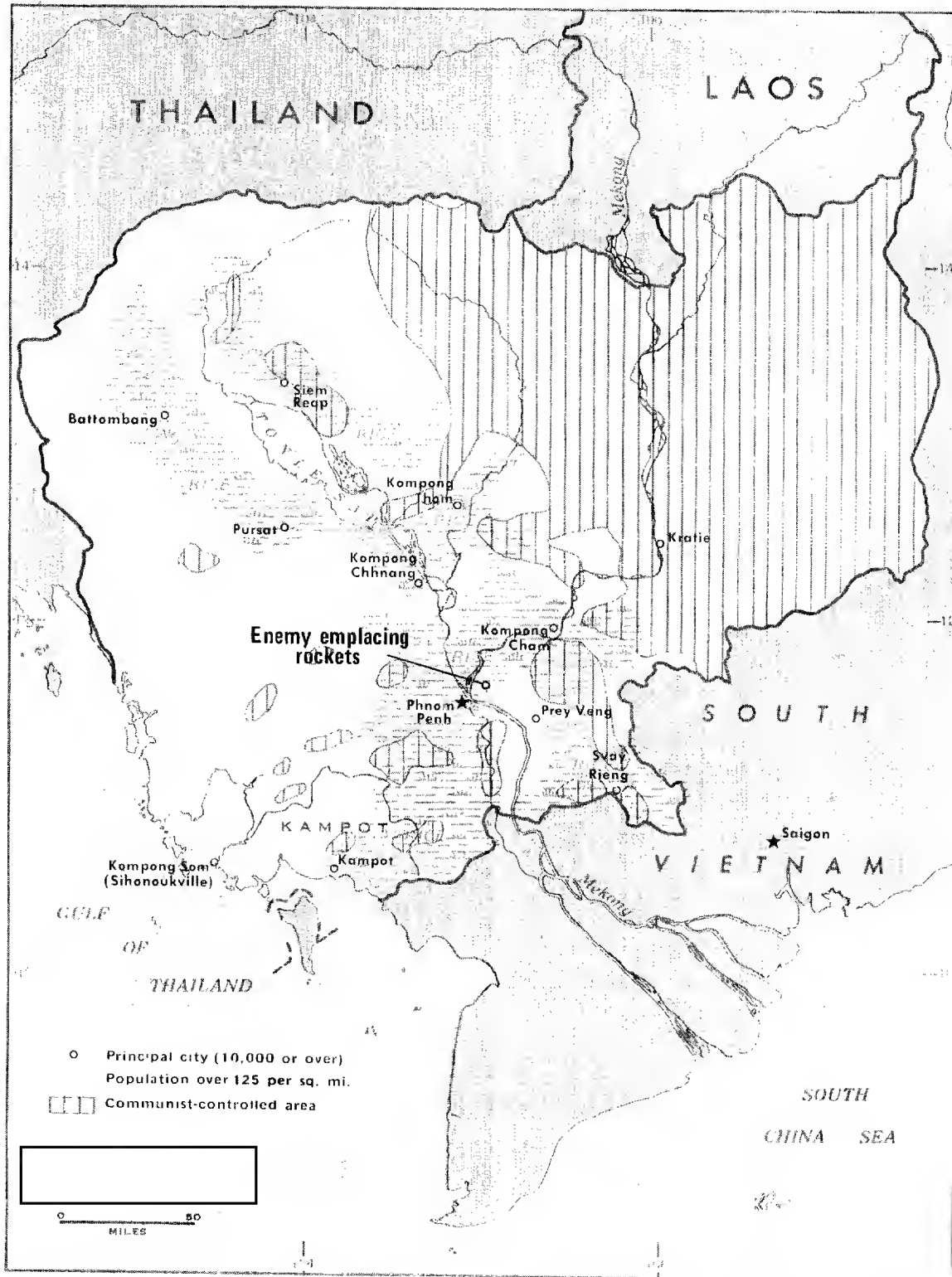
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CAMBODIA: Current Situation



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*Cambodia: Military activity remained light over the weekend, with only a few engagements reported.

No additional fighting has been reported since 29 August in the Phnom Penh area, where the Communists had been increasingly active over the past two weeks. [REDACTED]

[REDACTED] the Communists are emplacing Soviet-made 122-mm. rockets about ten or 12 miles north-east of Phnom Penh, possibly within range of the city. Although Phnom Penh has so far been free from harassment, the Communists could probably hit the capital with either rocket or mortar fire.

Communist forces--half of whom are said to be ethnic Cambodian--are reportedly moving freely in the rural areas of Kampot Province propagandizing and recruiting villagers. [REDACTED]

[REDACTED] their success has been somewhat limited because of the peasants' fear of government reprisals should the Communists leave the area. In one instance, however, the Communists were able to overrun a village; its self-defense force refused to fight because its commander, a National Assembly deputy, had neither paid them nor provided them with promised weapons. [REDACTED]

*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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South Vietnam: Communist forces are intensifying their military action in widely separated areas.

On 30 August, the number of Communist shellings soared to over 60, the largest number recorded in four months. Most of the shellings took place in the government's Military Region 2 and in the lower delta provinces of Military Region 4. According to press reports, over 200 soldiers and civilians were killed or wounded. The Communists have been planning this upsurge for some time in order to mark several important Communist anniversaries that occur during the week of 28 August - 4 September, including the first anniversary of the death of Ho Chi Minh.

Communist activity on 30 August had only a slight adverse impact on the conduct of the government's senatorial elections held on that date. The Communists apparently made no concerted effort to disrupt the elections, although at least a half dozen incidents were directed against polling places in various parts of the country. The Senate elections were conducted quietly. According to press reports, 70 percent of the country's registered voters went to the polls. This is lower than the 83-percent turn-out for the last Senate elections in 1967. Voter interest in this year's contest had appeared relatively low.

In conjunction with the shellings, Communist terrorists and local forces have increased their harassment of the civilian populace. Ground combat, however, has remained at a relatively low level throughout the country, and major Communist forces have not been committed, with the exception of some artillery and sapper units.

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Jordan: [The fedayeen are accusing the government of seeking to crush their movement by provoking clashes with them.

Fatah yesterday charged that the Jordanian Army had launched a widescale attack against fedayeen units with tanks and heavy artillery. The latest outburst of firing followed two days of clashes in which three commandos had been killed.) Fedayeen leaders at that time had charged that the incidents had been caused by elements seeking to provoke a clash between the army and the fedayeen.

In a hard-hitting radio speech intended to underscore his determination to go ahead with current peace efforts, King Husayn strongly attacked the fedayeen. He dismissed their charges that the movement of army units was part of a plan to crush the commandos. He defended such transfers as necessary for the protection of the country. The King, moreover, warned the fedayeen that he would no longer tolerate their insults and accusations. He said that he had refrained from replying to past attacks because he did not want to move against others involved in the battle against Israel. Husayn pointed out, however, that the situation had changed and he had to be sure that there would be nothing to divert the country from the struggle to achieve a peaceful settlement of the Arab-Israeli war. [REDACTED]

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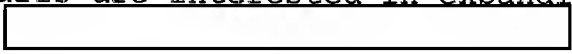
France - Communist China: Paris may be pushing for closer ties with China in order to carve out a broader role for itself in the Far East and Southeast Asia.

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Pompidou may see the Far East and Southeast Asia as a likely sphere for action at this point. Paris has long coveted a role in that region, as evidenced by its recognition of China in 1964 and its continuing efforts to participate in any Southeast Asian settlement. An active French role in European detente efforts has been challenged temporarily by Bonn and by the US cease-fire initiative in the Middle East.

The French may have been encouraged to seek expanded Sino-French ties by the warm reception accorded French Minister of Planning Andre Bettencourt during his July trip to China. Paris has also been claiming that Premier Chou En-lai will lead a Chinese delegation to France to reciprocate the Bettencourt mission. Although Chou appears ready to resume his travels abroad, there is no confirmation as yet that he will visit Paris, nor is there any indication that the Chinese have agreed to a visit by Pompidou.

Nevertheless, Peking clearly sees value in warmer ties with Paris. The Chinese are currently attempting to better relations with a number of states as part of an effort to circumscribe the influence of the "super-powers." Moreover, both Peking and Paris are interested in expanding economic ties. 

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Japan: The leader of the moderate wing of the Japan Socialist Party (JSP) has made a strong plea for a new grouping of the leftist opposition.

Saburo Eda, secretary general of the JSP, Japan's largest opposition party, called on the socialists to drop their tiresome ideological preoccupations and modernize their appeal in order to stem the party's sharp decline. Eda also proposed unification of Japan's highly politicized labor unions along nonideological, economically oriented lines. Japanese labor has already, in fact, begun reducing its political activities in favor of concentrating on pragmatic economic benefits.

The proposals reportedly drew immediate fire from the party's powerful left wing, promising a sharp battle between the two groups at the party's convention in November. The gulf between the two wings has recently widened as a result of efforts by the smaller and more moderate Democratic Socialist Party (DSP) to attract the JSP's right wing into a new, moderate leftist party. Previously, Eda and other JSP moderates have responded cautiously to DSP overtures, maintaining that they should first attempt to oust the extreme left wing from their party's leadership at the November convention.

Eda's efforts are likely to face formidable resistance from within the party, which refused to budge from its outmoded Marxist ideology in the face of dramatically declining electoral support. A special convention called this summer in the wake of the party's disaster in last December's national elections failed to produce any changes in party policies or leadership. An eventual split in the increasingly impotent and faction-ridden JSP, however, is becoming a very real possibility. [REDACTED]

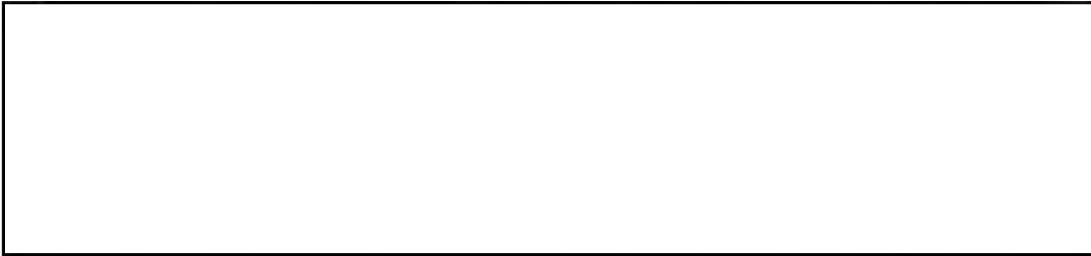
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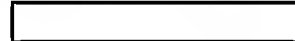
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Romania - Latin America: A Romanian trade delegation is scheduled to visit Latin America next month.



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Latin American countries have recently been increasingly receptive to Communist bloc overtures for contacts, partly because of growing nationalistic sentiment and the need to sell surplus commodities. Romania has already underscored its interest by sending Foreign Minister Manescu on a Latin American tour in 1968 and by dispatching several economic missions to the area in recent years.



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Kenya: The government wants to buy 50 percent of the country's only oil refinery by financing a planned expansion from its own resources.

The negotiation of partnerships with foreign firms is a response to a group in parliament that has called for nationalization of Kenya's foreign-controlled basic industries. The government has already entered into partnership with the East African Power and Light Company and with National and Grindlays Bank. These arrangements have been handled smoothly, and both parties appear satisfied with the settlements.

Unlike take-overs in neighboring Tanzania, Zambia, and Uganda, the Kenyans have approached their partnerships delicately, trying to avoid any publicity that might scare away investors or tourists. The tactic apparently has worked--there has been little fear expressed by investors, and the tourist industry continues to boom.

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Iraq: Baghdad and the Iraq Petroleum Company (IPC) may soon resume negotiations on their long-standing differences on IPC concessionary rights, oil revenues, and royalties.

The IPC reportedly does not expect a breakthrough, but it considers that Iraq's request for talks is significant. Baghdad also showed interest in the possibility of having the IPC market oil from the North Rumaila field now being developed by the Soviets and Hungarians. This field may begin producing at a low rate in 1972. Baghdad may recognize the problems in transporting and marketing oil from North Rumaila. The Iraqis also may prefer over the long run to sell the oil for hard currency rather than to barter it for goods from the Communist countries.

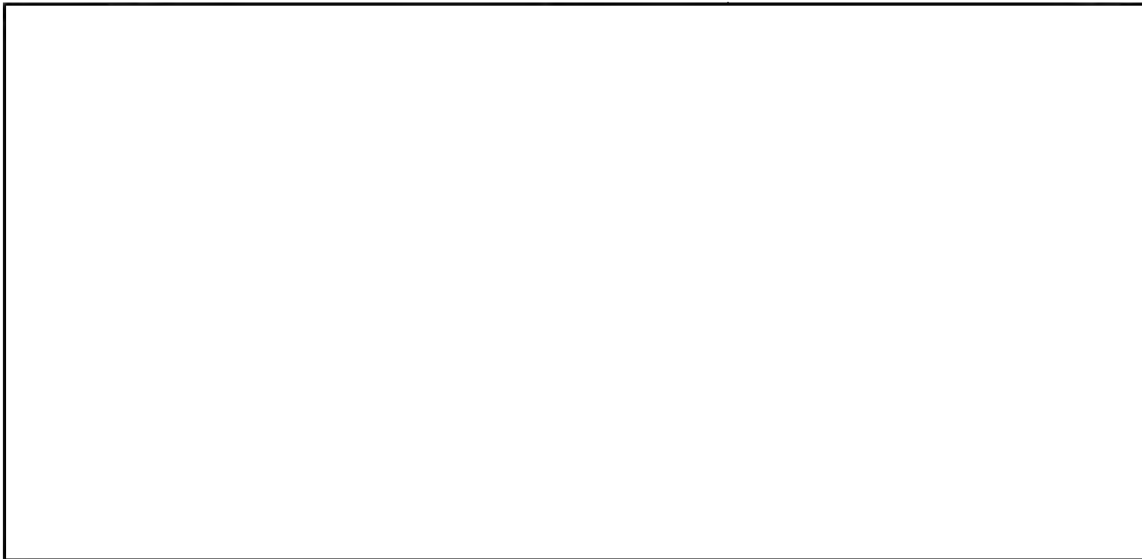
The reaction of the IPC to the Iraqi interest in arranging for the marketing of this oil is uncertain. An agreement by the IPC might be interpreted as a renunciation of its claims to North Rumaila. The IPC could accede to this, however, as a quid pro quo for settlement of other differences that are complicating its relations with the government.

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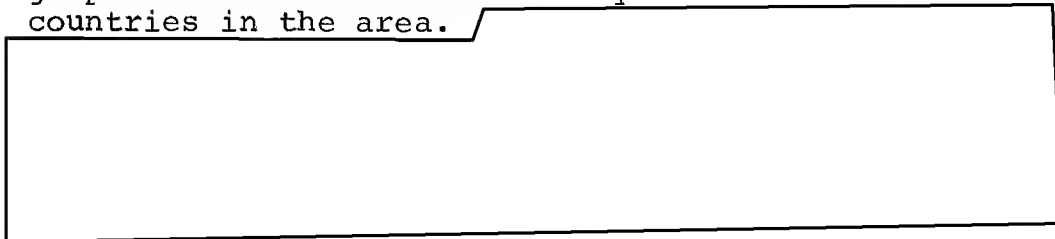
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Guatemala - Costa Rica: Guatemala is trying to mount a campaign against the entry of a Soviet mission into Costa Rica. Delegates have been sent to the other Central American countries to formalize a common position, and President Arana has asked local businessmen to urge their colleagues in Costa Rica to lobby against admission of a Soviet mission. Foreign Minister Herrera publicly expressed Guatemala's concern that the Soviets' diplomatic immunity and permission to use telegraphic codes could have consequences for other countries in the area.



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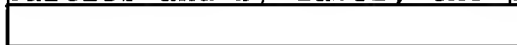
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Brazil: President Medici's surprise plan for automatic savings should channel a greater share of the country's income to the working class. As proposed to Congress, the program would be financed mainly by taxes on business income and sales, which are expected to total \$150 million by the end of 1971 and a projected \$1 billion in 1974. The funds thus garnered would be distributed among the workers. The plan should help reduce labor's increasing complaints that it has borne an unfair share of the stabilization burden since the 1964 "revolution." The draft law already has been widely praised by both the government and opposition parties and by labor, the press, and the church.



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